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FILED
JUN 10 1994
OFFICE OF THE CLERK

No. 93-1461

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

MAG INSTRUMENT, INC.,

Petitioner,

vs.

THE COMMISSIONER OF PATENTS AND TRADEMARKS,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY BRIEF

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13 pp

QUESTIONS PRESENTED

1. In a case of first impression, should the Patent Office grant a patent when commercial activities which would otherwise create a statutory bar under 35 U.S.C. § 102(b) were entirely the result of the surreptitious and piratical activities of a third party while under an obligation of secrecy to the inventor/applicant?

2. Did the Board of Patent Appeals and Interferences ("Board") and Court of Appeals for the Federal Circuit ("Federal Circuit") err in disregarding the law of the Supreme Court in deciding that a piratical use exception to § 102(b) does not exist or should not be created?

3. Did the Federal Circuit and Board violate Petitioner's right of Due Process regarding its patent property right established by 35 U.S.C. §§ 102 and 261, by refusing to consider any evidence of the third party's piratical misappropriation upon which an exception to § 102(b) could be based?

PARTIES TO THE PROCEEDING

The Petitioner is Mag Instrument, Inc. Pursuant to Supreme Court Rule 29.1, there is no parent or subsidiary to be listed.

The Respondent is the Commissioner of Patents and Trademarks.

TABLE OF CONTENTS

Page

QUESTIONS PRESENTED i

PARTIES TO THE PROCEEDING ii

TABLE OF AUTHORITIES iv

REPORTS OF OPINIONS BELOW 1

STATEMENT OF JURISDICTION 1

STATEMENT 2

ARGUMENT 2

I. THE LEGISLATIVE HISTORY OF THE U.S. PATENT ACTS DOES NOT INDICATE ANY AVERSION TO A PIRACY EXCEPTION 3

II. THE EXCEPTION SOUGHT BY PETITIONER IS IN HARMONY WITH THE UNDERLYING POLICIES OF 35 U.S.C. § 102(b) 5

III. THE SOLICITOR GENERAL'S ARGUMENT REGARDING DUE PROCESS IS CONCLUSORY 7

CONCLUSION 7

TABLE OF AUTHORITIES

Page

Cases

Andrews v. Hovey
123 U.S. 267 (1887) 4, 5

In re Maglica
17 F.3d 1442 (Fed. Cir. 1993) 1

Statutes

28 U.S.C. § 1254(1) 1
35 U.S.C. § 102(b) 2, 5-7

Rules and Regulations

Sup. Ct. R. 10.1(a) and (c) 1
37 C.F.R. § 1.56 2

Legislative History

The Congressional Globe, 41st Congress,
2nd Session, part 3, (1869-1870). 3

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REPORTS OF OPINIONS BELOW

The opinion of the Board has not been reported. The Federal Circuit affirmed the Board without opinion at *In re Maglica*, 17 F.3d 1442 (Fed. Cir. 1993).

STATEMENT OF JURISDICTION

The judgment of the Federal Circuit was entered on December 13, 1993. (Pet. App. F1-2). The Supreme Court has jurisdiction over this Petition pursuant to 28 U.S.C. § 1254(1) and pursuant to Sup. Ct. R. 10.1(a) and (c).

STATEMENT

The Petitioner objects to the statement of facts in the Opposition because it is misleading as to when information was discovered by the Petitioner and the attorney prosecuting the application. At the time preceding the application's filing, the inventor and prosecuting attorney were aware only of sales by Snap-on beginning in February of 1987. The application was then filed within the one-year period allowed under 35 U.S.C. § 102(b) in January of 1988. It was only after the application had been allowed to issue as a patent that Petitioner became aware of Keller's piracy. And in compliance with the duty of candor under 37 C.F.R. § 1.56, Petitioner withdrew the application from allowance so that Keller's piracy could be brought to the attention of the Patent Office.

ARGUMENT

The question presented in the Petition, *i.e.*, whether a piratical use exception to 35 U.S.C. § 102(b) should be recognized, was admitted by the Commissioner of Patents in the appeal below to be one of first impression and has been decided contrary to decisions of this Court. Contrary to statements made in the Opposition, legislative history on the Patent Acts enacted during the last two centuries, provides no support whatsoever for abandonment of this Court's decisions.

I. THE LEGISLATIVE HISTORY OF THE U.S. PATENT ACTS DOES NOT INDICATE ANY AVERSION TO A PIRACY EXCEPTION

The Solicitor General purports to rely on changes to statutory language of the Patent Acts of 1836 and 1870 for the proposition that Congress intended that no piracy exception to exist. Specifically, the Solicitor General first points out that in the Act of 1836, the pertinent statute provided that "the Commissioner of Patents may issue a patent only if an item was not 'in public use or on sale with the applicant's consent or allowance prior to the application.' " Opp. p. 5, *citing*, Act of July 4, 1836, ch. 357, § 7, 5 Stat. 119. The Solicitor General then points out that the Patent Act of 1870 deleted the "consent or allowance" provision. Opp., p. 5. However, a review of the legislative history of the 1870 Act shows that deletion of the "consent of allowance" provision did *not* reflect any intent to change the law on what would create a bar to patentability. In sharp contrast, the statute of the 1870 Act merely served to reflect the current state of the law.

Indeed, the bill which resulted in the Act of 1870 was introduced by Mr. Jenckes in the House of Representatives on April 14, 1870, and it was stated by Mr. Jenckes that, "[t]he bill is so printed as to show the law exactly as it is now, in the form in which it came from the hands of the commissioners of revision." The Congressional Globe, 41st Congress, 2nd Session, part 3, p. 2680 (1869-1870). "The House, therefore, [had] before them in the reported bill the exact state of the law . . ." *Id.*

In fact there were four proposed amendments placed before the House on April 14, 1870 pertaining to maintenance fees, the standard for abandonment,

inconsistencies in appellate law, and relief between interfering patents. *Id.* at 2681-2682. No discussion of the inventor's consent or allowance exists in the discussion of the proposed amendments, and after the discussion, Mr. Jenckes stated, "[i]n other respects the law stands without any other change . . ." *Id.* at 2683.

Thus it is simply inaccurate to propose that Congress, through amendment to statutory language, specifically intended that no exception exist for piratical use or sale of an invention.

The Solicitor General also relies on language in *Andrews v. Hovey*, 123 U.S. 267, 274 (1887), for the proposition that the 1870 amendments made clear that pre-critical date sales were a bar to patentability irrespective of the inventor's consent or allowance. Opp., p. 5. However, as pointed out in the Petition, there was *no* piracy involved in the facts underlying the *Andrews* decision. Instead, the inventor Green publicly displayed his invention and then a third party, not an employee of Green and under no obligation of secrecy like Keller was with respect to Petitioner, simply began practicing the invention.

Furthermore, the Solicitor General conveniently ignores that the *Andrews* decision itself recognized the propriety of a piratical use exception. Indeed, this Court in *Andrews* stated:

> "It may well be that a fraudulent, surreptitious and piratical purchase or construction or use of an invention prior to the application for the patent would not affect the rights of the patentee under either clause of the 7th section; but the present is not such a case as that which existed in *Kendall v. Winsor.* In the use of [the

> invention] in public . . . by others than Green [the patentee], more than two years before his application, *we see nothing in the evidence under which such use can properly be characterized as fraudulent, piratical, or surreptitious.*"

Andrews, 124 U.S. at 808, 31 L.Ed. at 560 (emphasis supplied). Accordingly, the authority relied upon by the Solicitor General fully recognizes the exception sought here by Petitioner.

II. THE EXCEPTION SOUGHT BY PETITIONER IS IN HARMONY WITH THE UNDERLYING POLICIES OF 35 U.S.C. § 102(b)

An important policy underlying § 102(b) is the prohibition against the inventor extending the patent term. Here, Petitioner did not attempt to extend the patent term as there were no attempts to commercialize or otherwise exploit the invention. Thus imposing a statutory bar based on Keller's piracy does nothing to further this underlying policy.

Furthermore, as pointed out in the Petition, providing an exception for piracy *furthers* the policy of development of inventions for public benefit. That is, due to the fact that many inventions in many technologies are the result of team efforts, a piracy exception allows that a team member to freely disclose his ideas to other team members without the fear that these ideas may be surreptitiously misappropriated to form the basis of a statutory bar. Such free discussion serves only to promote the timely development of inventions for public benefit,

thereby promoting the policy underlying § 102(b) that inventions be disclosed for public benefit.

The Solicitor implies that application of § 102(b) without a piracy exception adequately protects the inventor whose invention has been stolen and exploited. To support this position, the Solicitor General summarily points out that Petitioner had an adequate remedy embodied in a trade secret action against Keller. However, the value of a lost patent is essentially incalculable. Lost is the right to exclude others, by way of injunction, from making, using or selling the invention for the seventeen years of the patent term. Also, there is simply no way to calculate infringement damages which might arise in the future during the patent term.

The Solicitor General makes much of the fact that a distributor of Petitioner was aware of a flashlight embodying the stolen invention in March 1987, but that a patent application was not filed until January 1988. This however, simply overlooks the fact that § 102(b) specifically provides that an inventor is given a one year grace period in which to file the application, and in this case, Petitioner complied with the statute based on the information known to him. In view of the foregoing and the policy arguments made in the Petition, Petitioner submits that the exception sought is in harmony with the policies underlying §102(b).

III. THE SOLICITOR GENERAL'S ARGUMENT REGARDING DUE PROCESS IS CONCLUSORY

The Solicitor General denies that a due process violation occurred on grounds that "§ 102(b) makes . . . evidence [of piracy] irrelevant because the 'on sale' bar does not depend on the inventor's knowledge of or consent to the sale of his product." Opp., p. 10, n.6. However, this merely presupposes that the theft and subsequent surreptitious exploitation of an invention is of no consequence and that a piracy exception to §102(b) should not exist. As made clear in the Petition, this Court has repeatedly recognized the propriety of the exception sought. Being that this is the case, Petitioner reiterates that a due process violation has occurred because the Patent Office merely received the evidence of piracy submitted by Petitioner and rejected the application without evaluating whether an exception to § 102(b) might apply. The Federal Circuit, in turn, then sanctioned this procedure by affirming the decision of the Board of Patent Appeals and Interferences without opinion.

CONCLUSION

There is nothing in the legislative history surrounding the Patent Acts of the United States indicating that Congress intended that no exception exist for piratical misappropriation and surreptitious exploitation of an invention. Instead, this Court has repeatedly recognized the propriety of such an exception. Furthermore, such an exception is in line with the policies underlying § 102(b). Still further, the Patent Office's rejection of Petitioner's application as a matter of course constitutes

a due process violation. Accordingly, Petitioner respectfully submits that the Writ of Certiorari should issue for the reasons stated in the Petition and reiterated herein.

Dated: June 10, 1994.

Respectfully submitted,

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